

Aggressive Steps

The Kilpatrick Administration has worked aggressively to cure the City’s structural imbalance...

- Revenue enhancements: user fees for residential trash collection (\$74 million) and commercial inspection (\$14 million), PLD energy management services agreement (\$5 million), Treasury billing and collections consolidation (\$8 million)
- Dramatic cuts to personnel costs: reducing workforce by 39% (\$65 million over five years), winning Act 312 arbitration with police and fire on healthcare savings (\$35 million)
- Procurement approvals centralization: reducing contract spending by 43% (\$39 million over five years)

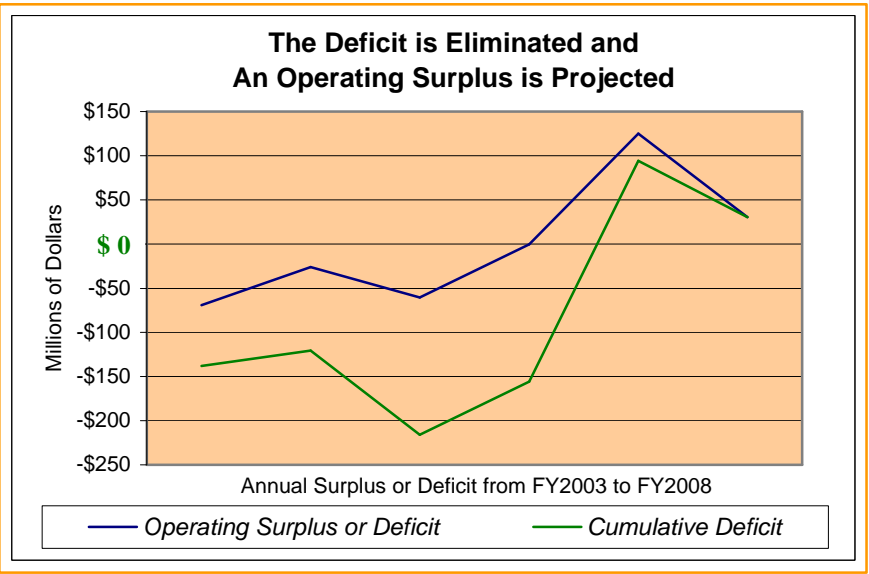
... and eliminate carryover deficits from prior accounting periods.

- Detroit-Windsor Tunnel transaction (\$58 million)
- Various sales of municipal properties
- Amnesty program to collect aged accounts receivable (\$8 million)
- Pension obligation certificates (POCs) refinancing (\$20 million)

The City will have addressed the cumulative deficit by the end of FY 2007-08.

Annual and Cumulative Surplus (Deficit)
Millions of \$

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Fiscal Year Surplus (Deficit)	(\$25.9)	(\$60.4)	(\$0.2)	\$125.0	\$30.6
Cumulative Deficit	(\$95.0)	(\$155.4)	(\$155.6)	(\$30.6)	\$0.0



FY 2007-08 Executive Budget, City of Detroit

Actual Results

Actual results through January 31, 2007 show that the FY 2006-07 budget is on target.

Overall, total Major Revenues are in line with budget:

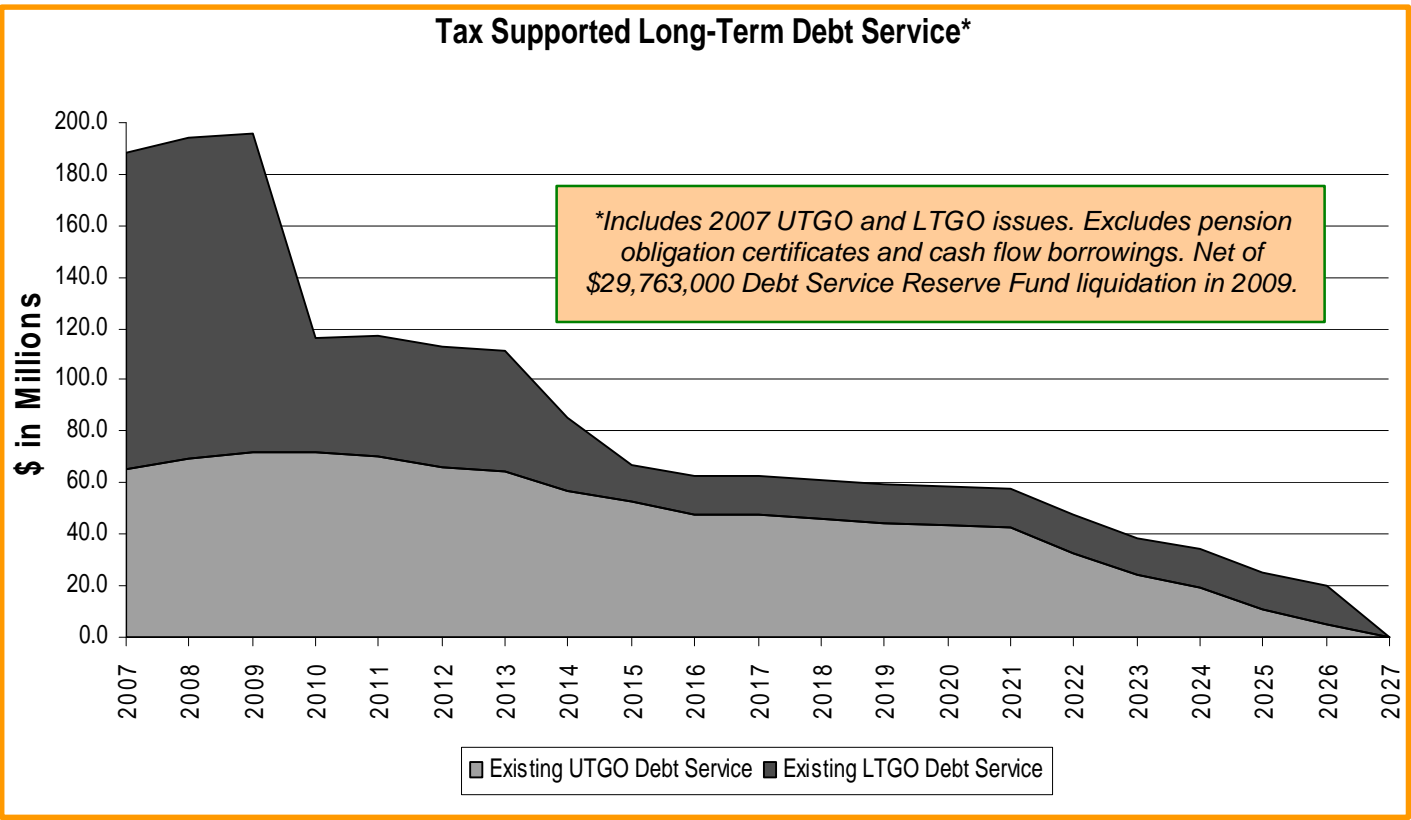
- Solid Waste fee exceeded expectations by 10%
- Utility user tax \$4 million greater than expected
- Municipal Income tax \$7 million greater than expected
- Property tax on target
- State Shared Revenue and Gaming Revenues down

Expenses are expected to be within budget:

- Salaries and Wages \$4.8 million (1%) greater than budget
- Employee Benefits down \$4.2 million
- All other expenses up \$1.2 million

One-time measures are only utilized to cover the carryover deficit

Detroit’s tax supported debt service reduces quickly, with a significant direct benefit to the General Fund by FY 2008-09.



“Financial Forecast” = a set of detailed financial projections for future years created from trend analysis and specific policy and programmatic assumptions

“Gap” or **“shortfall”** = revenues projected to be less than required expenses in a future period, given current conditions and levels of service

“Operating surplus (deficit)” = excess of actual revenues (or expenses) associated with ongoing day-to-day operations, rather than one-time or infrastructure requirements

“Carryover deficit” or **“Prior Year Carryforward deficit”** = excess of actual expenditures over actual revenues incurred during prior accounting periods, but addressed during a later period



Kwame M. Kilpatrick, Mayor
Roger Short, Chief Financial Officer
Pamela Scales, Budget Director



Structurally Balanced Budget: Operating Revenues = Operating Expenses

Five-Year Financial Forecast

The City of Detroit operating budget is structurally balanced, and accumulated deficits will be resolved in FY 2007-08. We now forecast a surplus even considering expected employee pay raises, continued health benefits inflation, and conservative revenue assumptions.

Major Revenues Assumptions:

- Income Tax Rate to remain at current level, annual increase in collections of 1%
- Property Tax 4% annual increase, including impact of NEZ changes
- No changes in State Revenue Sharing after end of formula in FY 2007-08
- Permanent casinos open (Dec 2007)
- Property Sales down to \$6 million per year, from FY 2008-09

Major Expenditure Assumptions:

- Retirement of GDDRA debt service (Dec 2008) will eliminate the General Fund subsidy for solid waste collections, because alternatives for disposal after GDDRA significantly reduce cost
- Limited pay raises for civilian employees in each year
- Pay raises for uniform employees according to Act 312 award amounts
- No additional position increases beyond FY 2007-08
- 2.5% average increase for all utilities accounts

	Budget 2007-08	2008-09	Projected Annual Amounts		
			2009-10	2010-11	2011-12
REVENUES:					
Property Taxes	\$ 180,325,729	\$ 188,824,448	\$ 196,183,196	\$ 203,836,293	\$ 211,795,515
Municipal Income Tax	277,562,000	276,860,241	279,628,843	282,425,131	285,249,383
Utility Users Taxes	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Wagering Excise Tax	165,350,000	193,878,105	199,694,983	205,689,031	210,531,257
Other Taxes	42,012,816	14,873,716	14,873,716	14,873,716	14,873,716
Fines, Forfeits and Penalties	32,545,238	32,545,238	32,564,238	32,564,238	32,564,238
License, Permits, Inspection Charges	11,695,653	7,153,064	7,153,064	7,153,064	7,153,064
Grants, Shared Taxes, & Revenue	275,878,856	275,878,856	275,878,856	275,878,856	275,878,856
Sales and Charges for Services	232,420,109	235,453,839	238,558,673	241,748,911	245,026,921
Revenue From Use of Assets	55,036,311	47,036,311	47,036,311	47,036,311	47,036,311
Other Revenues	83,796,226	83,802,429	83,802,429	83,802,429	83,802,429
TOTAL REVENUES:	\$ 1,416,622,938	\$ 1,416,306,245	\$ 1,435,374,308	\$ 1,455,007,980	\$ 1,473,911,689
EXPENDITURES:					
Salaries & Wages	\$ 469,046,094	\$ 481,564,611	\$ 492,569,429	\$ 503,886,125	\$ 515,522,799
Employee Benefits	368,574,180	378,035,425	378,043,273	389,742,589	401,970,190
Professional and Contractual Services	51,465,323	51,465,323	51,465,323	51,465,323	51,465,323
Operating Supplies	65,250,346	66,555,353	67,886,460	69,244,189	70,629,073
Operating Expenses	189,165,289	190,176,255	191,212,258	192,273,919	193,361,876
Other Expenses	158,640,507	132,636,962	134,527,013	136,470,775	138,469,462
TOTAL OPERATING EXP:	\$ 1,302,141,739	\$ 1,300,433,929	\$ 1,315,703,756	\$ 1,343,082,921	\$ 1,371,418,722
Debt Payments	\$ 83,858,310	\$ 99,862,755	\$ 76,042,289	\$ 67,062,423	\$ 53,825,749
Prior Year Deficit Carryforward	30,622,889	-	-	-	-
TOTAL NON OPERATING EXP:	\$ 114,481,199	\$ 99,862,755	\$ 76,042,289	\$ 67,062,423	\$ 53,825,749
EXCESS / (DEFICIT):	\$ -	\$ 16,009,561	\$ 43,628,263	\$ 44,862,636	\$ 48,667,218

FY 2007-08 Executive Budget, City of Detroit